



DEPARTMENT OF NATURAL RESOURCES

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TO: COGCC Commissioners

FROM: Brian Macke

DATE: February 14, 2005

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Monthly Report Mailing List

MONTHLY STAFF REPORT

I. STATISTICS

Our monthly statistics report is attached. Based on data available to date, 284 Applications for Permits-to-Drill ("APDs") were approved as of February 3, 2005. At that pace, it is estimated that nearly 3,050 APDs will be approved in calendar year 2005. This compares to the record high 2,917 APDs approved in 2004, and 2,249 APDs approved in 2003.

The 2005 drilling permit totals for the top six counties as of February 3rd are:

| | <u>2005 (% of Total)</u> |
|-------------------|---------------------------------|
| Garfield County | 70 (25%) |
| Yuma County | 68 (24%) |
| Weld County | 59 (21%) |
| Las Animas County | 18 (6%) |
| Washington County | 17 (6%) |
| La Plata County | 11 (4%) |

We would like to commend Permitting Supervisor Linda Pavelka and Permitting Technicians Elaine Winick and Dennis Ahlstrand for doing a great job during another record setting year.

II. NORTHWEST COLORADO

Attached are newspaper articles of local interest.

◆ **Northwest Colorado Oil and Gas Forum**

The next meeting of the Northwest Colorado Oil and Gas Forum will be held from **10:00 a.m. until 2:00 p.m. on Thursday, February 17, 2005 at Garfield County Fairgrounds, Rifle, CO**

(in the new indoor arena meeting facility). The Forum which is co-chaired by COGCC Director Brian Macke and Garfield County Commissioner Larry McCown, consists of representatives from federal, state and local government, the oil and gas industry and all interested citizens. The meetings are currently being held four times during the year. The meeting frequency may be adjusted if changing circumstances create a need to do so.

All parties wishing to be placed on the agenda for presentations should contact Jaime Adkins at 970-285-9000 or via [e-mail to:jaime.adkins@state.co.us](mailto:jaime.adkins@state.co.us) .

◆ Mamm Creek Gas Field - West Divide Creek Gas Seep Investigation Update

EnCana Oil & Gas will be providing you with a presentation of their ongoing investigation efforts for the West Divide Creek Gas Seep during today's hearing.

COGCC and EnCana's investigation of the gas seep in West Divide Creek continues.

The weekly monitored surface water sampling locations (including sample location DSC2) in West Divide Creek have not had detectable benzene concentrations since early December 2004. Nevertheless, the enhanced air sparging system within West Divide Creek continues to operate as an additional remedial action at the gas seep. As before, benzene has not been detected either upstream or downstream of the seep, including new monitoring locations DCS7 and DCS8 implemented in response to the October 2004 reappearance of benzene in the creek. The "on again off again" appearance of benzene in the recent surface water samples is not unexpected given that the shallow ground water at the seep has concentrations of benzene ranging up to 450 µg/l and the variable water flow of the creek. Fluctuations in the shallow water table and surface water flow at the creek will result in ground water discharging into the creek or surface water recharging the water table at different times of the year depending upon precipitation and/or snow melt.

EnCana continues to sample 28 domestic water wells, 2 irrigation wells, 1 pond, 2 springs, and 27 ground water monitoring wells (along West Divide Creek) as part of this investigation. With the exception of the ground water monitoring wells along the creek, benzene, ethylbenzene, and xylenes have not been detected in any of the water samples collected from these features. EnCana now is collecting water samples from these sites on a monthly basis, except for 3 domestic water wells where high concentrations of biogenic methane have been observed, which are being sampled on a weekly basis. EnCana continues to supply water to area residences, as requested. Toluene has been observed in three recently drilled monitoring wells (Cotton, Schwartz, and Price). The occurrence of toluene in these wells is not due to any oil and gas operating impact but is due to toluene introduced either during the drilling or construction of these wells. The source of the toluene is still under investigation; however, all three wells were drilled with the same water well drilling rig and it is believed that the toluene was introduced into the wells through the use of a drill pipe lubricant.

Sampling data from the 27 ground water monitoring wells for the Phase II Ground Water Investigation at the creek show a localized shallow ground water BTEX plume coincident with area of main gas seepage. Monthly sampling results show the ground water contaminant plume to be localized in the immediate area of the seep with little evidence of plume migration downgradient along the direction of ground water flow.

The gas seep survey and gas characterization for an approximately 9 square mile area around the Schwartz 2-15B Well and West Divide Creek gas seep area has been completed. Results of the survey were received on February 2, 2005 and are under COGCC staff review.

The final Biological Monitoring and Assessment Report summary report for the West Divide Creek Seep prepared by Colorado Mountain College was received from EnCana in mid-January 2005 and is under COGCC staff review.

◆ Local Project Status Update

During the August 16-17, 2004 Commission hearing in Glenwood Springs, Colorado, EnCana stipulated to an amended Order Finding Violation finding EnCana responsible for numerous violations of the COGCC rules and regulations that resulted in the release of natural gas and other related compounds from the Williams Fork Formation to West Divide Creek from the Schwartz 2-15B Well. The subsequent fine levied by the Commission and agreed to by EnCana was \$371,200 and has been earmarked for funding three projects.

The largest of these is a hydrogeological study of the ground water and surface water resources of an area within Garfield County, specifically, in four townships south of Silt and Rifle, Colorado (T6SR92W, T6SR93W, T7SR92W, and T7SR93W). The study will focus on the hydrogeology of the Wasatch Formation, in which most water wells are completed, and the surface water resources of West and East Divide, West, Middle and East Mamm, and Dry Creeks, and the ground water in the alluvium adjacent to these creeks.

Garfield County's RFP for this project has been reviewed by COGCC staff and has been finalized. It will not be put out for competitive bidding until an agreement that formalizes the procedures for managing the project and compensating the contractors is signed by Garfield County, EnCana, and the COGCC. Assistant Attorney General Harmon has developed a draft agreement, which is in the form of an Administrative Order By Consent. This document has been circulated to all of the parties for their review.

◆ West Divide Creek Seep Shallow Ground Water Contamination Remediation Pilot Test

EnCana is currently evaluating a low-flow air sparging system remedial option for the ground water clean-up. Results of the initial pilot test are very encouraging and the COGCC staff feels that this remediation technique appears to be effective and the most appropriate technique in addressing shallow ground water impact from the gas seep. Decisions on implementation of a "full scale" remediation system for the shallow ground water contamination will be made later this spring after further pilot testing is completed.

◆ Hydrogen Sulfide Gas Release From the Bedrock Unit 16-7-47-18 Well Update

COGCC staff received a complaint message from Bob Jorgenson of the Colorado Department of Public Health and Environment ("CDPHE") on the afternoon of December 16, 2004 concerning the release of hydrogen sulfide gas from the Bedrock Unit 16-7-47-18 Well operated by Devon Energy Production Company L.P.

The complaint alleged that hydrogen sulfide gas was released nine (9) days earlier on December 7, 2004 and it adversely affected the health of a local resident living near the well site, requiring her to obtain medical care.

COGCC staff responded the same afternoon by contacting Mr. Jorgenson, followed by calls to the affected neighbor and the operator. Subsequent investigation and inspection resulted in the issuance of a Notice of Alleged Violation (“NOAV”) to the operator citing violation of Rules 602.b., 607.a., b. & c. for failure to notify the Commission of the presence of hydrogen sulfide gas, failure to report the incident and failure to have a hydrogen sulfide operations plan.

COGCC staff is currently reviewing the operator’s response to the NOAV.

III. SOUTHWEST COLORADO

◆ Gas and Oil Regulatory Team (GORT) Meeting

The next GORT meeting is scheduled for March 18, 2005.

◆ 3M Technical Peer Review Team Meeting

The 3M Technical Peer Review Team (TPRT) met on January 27, 2005. Approximately 18 people attended the meeting including representatives from La Plata County, Southern Ute Indian Tribe (SUIT), US BLM, USFS, and three companies with coalbed methane operations in La Plata County. Recommendations for changes to Order Nos. 112-156 and 112-157 requirements were presented and discussed. COGCC staff will compile the recommendations and prepare draft language for amendments to these orders for Commission consideration.

Participants at the meeting discussed the need to attempt to reconcile the different opinions held by various members about whether down basin production is contributing to gas seepage at the outcrop of the Fruitland Formation. The next meeting, which is scheduled for April 28, 2005, will be a review of data and disparate technical hypotheses.

◆ Order No. 112-156 - Fruitland Outcrop Monitoring – October 2004 Report

At today’s hearing, John Peterson, LT Environmental, will present a summary of the Fruitland outcrop monitoring conducted in 2004 and a comparison of observations with those of previous years. The entire report is available on the COGCC website, www.oil-gas.state.co.us under Library, titled Studies in the San Juan Basin, 2004 Fruitland Outcrop Monitoring Report.

In addition, he will be presenting the results of monitoring conducted further to the east along the entire extent of the Fruitland Formation outcrop into Archuleta County, north of the Southern Ute Line. This work was voluntarily performed by BP, Petrox, and Elm Ridge and is not part of the requirements of COGCC Order Nos. 112-156 and 112-157.

IV. ORGANIZATION

◆ Staff Organization

Our current organizational chart is attached, which includes the new Information Technology Manager position, which is proposed to be reallocated from the former Deputy Director position. Consideration of this reallocation is pending approval from the Department of Natural Resources Human Resources office.

V. PLANNING/ADMINISTRATION/OTHER

◆ COGCC Office Space Lease Expiration

The current COGCC office space lease in the Chancery Building will expire on August 31, 2006. The extensive state government agency process for renewing leases includes a requirement to examine office space in other buildings and a potential move. Because it is prudent to allow at least 18 months for this process in case a new office space buildout and move is necessary, the COGCC has initiated discussions with The Staubach Company, who is the new state office space brokerage contractor.

◆ Noise Regulation Update

The Noise Regulation stakeholders group met on January 12, 2005. The possible changes discussed included revising the distance noise is measured from a noise source to a standard distance of 350'. Industry representatives recommended that a standard noise level of 50 db(A) be enforced at this distance. Other standards could apply for buildings within 350' of the noise source and in cases where the property is owned by the operating company. Other representatives presented information on low frequency noise and possible low frequency noise standards. Future meetings are scheduled for February 17 and March 10, 2005.

◆ Public Outreach Opportunities

Brian Macke and David Dillon participated in an oil and gas training session for the San Miguel County Planning Commission and county staff in Telluride on January 14, 2005. COGCC staff provided a discussion of COGCC rules and regulations and a description of the Local Governmental Designee program. Other presentations were given by Encana Oil and Gas, the Bureau of Land Management, and representatives of La Plata County.

Brian Macke provided a presentation of oil and gas activity in Colorado and an update on the COGCC to the Denver Metro Chamber of Commerce during the annual Club 20 Denver Legislative Trip on January 20, 2005.

Brian Macke has been invited to participate in a meeting of the Club 20 Energy Subcommittee in Grand Junction on Tuesday, February 15 to discuss the new COGCC onsite inspection policy as part of a panel discussion on split-estate energy development. The other panel members are State Representative Kathleen Curry and Colorado Oil and Gas Association representative Ken Wonstolen.

COGCC Commissioners and some of the COGCC staff are invited to attend the annual Department of Natural Resources Legislative Reception at the Colorado Museum of History on Thursday, March 10 at 5:00 p.m. The COGCC is planning to have its exhibit display available at the reception.

The March hearing for the Colorado Oil and Gas Conservation Commission is scheduled in Trinidad. The Commissioners and staff will drive to Trinidad on Monday, March 21 and will tour the Raton Basin area in the afternoon and participate in a public dinner with Pioneer Resources that evening. The hearing will be Tuesday morning and everyone will return to Denver that afternoon.

◆ Distribution of Onsite Inspection Policy

Copies of the new Onsite Inspection Policy, the inspection request form and the new Application for Permit-to-Drill (“APD”), Form 2, were mailed to all active oil and gas operators (approximately 450) on January 27, 2005. Copies of the new Onsite Inspection Policy, the inspection request form, the new APD and the Local Government Designee Form, Form 29, were mailed to the Local Government Designees (approximately 104) on January 28, 2005.

◆ COGCC Surveying Rules Update

COGCC staff has reviewed current COGCC rules regarding well survey plats. An e-mail discussing possible changes to these rules was forwarded to all Commissioners on December 23, 2004. The staff would like to discuss our options and possible changes to our surveying rules during today’s hearing.

◆ Penalties Status

Attached is a revised table showing the status of penalties paid and penalties pending collection.

◆ March Hearing Docket

A preliminary docket for the March 2005 hearing has been provided. Hearing dockets are available on our website by clicking on “Hearings”. Links to the hearing applications and notices are available from the Docket by clicking on the Applicant and the Docket Number, respectively.

To sign up for e-mail notification of hearing notices and applications please see the announcement and instructions on our main web page.

◆ COGCC Forms Changes

In an effort to meet requirements due to the new Onsite Inspection Policy and the digital log upload capability, the Application for Permit-to-Drill, Form 2, and the Designation of Agent, Form 1A, have been updated. The new versions of the forms are available as Adobe™ PDF file downloads from the COGCC website (<http://oil-gas.state.co.us>) on the forms page. Forms will be mailed upon request, by calling (303) 894-2100 extension 100.

It has been suggested that the Completed Interval Report, Form 5A is lacking sufficient dates to capture the completion date and the date of first production. Any comments on other suggested changes should be sent to thom.kerr@state.co.us.

◆ Colorado Oil and Gas Information System (“COGIS”)

The COGCC information system, COGIS, is made up of many different components that are used by the Commission, staff, industry, government agencies and many others.

• Internet

The COGCC determined it was most cost effective to develop applications and information in an Internet available format. This allows for the same tools to be utilized in different environments, thus eliminating the re-creation of applications. The Internet connection was moved to a new network structure which provides a much more secure environment. The following are tabs on the Internet menu bar:

○ General

- This page has links to basic information concerning the Commission, its function, and oil and gas development in Colorado. The annual statistics and the weekly/monthly statistics are available here.

○ Contacts

- This page has links to people and agencies that are involved with oil and gas regulation and related issues in the state. The page also contains phone lists and geographic areas of responsibility for COGCC staff.

○ Library

- This page contains links to documents resulting from Commission studies, activity reports, and statistical downloads.

○ Hearings

- This page has links to the current and previous hearing schedules, which allow for review of the dockets, agendas, applications and their outcome. It also has information that is useful when considering filing an application for hearing or finding information about Commissioners.

○ Rules

- This page contains links to the Commission statute, Rules and Regulations, and policies.

○ Orders

- This application provides searchable capability to the Commission’s orders. The search by location is still under construction as we create the map layer for all spacing orders.

○ Forms

- These are Adobe Acrobat documents that can be downloaded, completed, printed and mailed. Some example and instruction documents are viewable. Eventually, online forms will be available here, but the exact time frame is unknown.

○ Staff Report

- Current and previous staff reports, with attachments, are viewable here.

○ Permits

- This application shows the last 12 months of approved permits and current pending permits; it may be filtered by county.

- Database
 - This application enables users to query well, production and operator information. These queried databases contain the most current set of data and are updated throughout the day.
- Local Gov
 - This application provides database searches for local government contact information and oil and gas activity within a selected area.
- Images
 - This application is an interface to the COGCC's historical paper files. All well files, logs and hearing files have been scanned. This application is not user friendly and the preferred method is to use the database queries and click on the "docs" icon for wells and other facilities, or to use the Orders application.
- Maps
 - This interactive map application allows the user to zoom, pan and select types of information to display. This application will also display the database information for wells by selection tools or double clicking on a single item. There are also tools to allow annotations and to save reusable map files.
- Reports
 - This area is still in development; the application malfunctions. The goal is to have selectable data sets and statistical queries.
- Local Area Network
 - The COGCC staff is connected to services by a Local Area Network ("LAN") connection which provides e-mail and data sharing capabilities. The LAN is connected to the Centennial Building at 1313 Sherman Street by a wireless interface; this connection provides access to the Internet and other state services. COGCC staff utilizes the same applications in its work as Internet users, in addition to others outlined below.
- Database
 - The COGCC maintains a comprehensive database of regulated facilities (wells, pits, injection sites), incidents (inspections, complaints, spills), and affiliations (companies, contacts, staff).
- Imaging
 - This application provides the capability to convert the paper documents received by the Commission to electronically available documents.
- Form Processor
 - This set of applications allows users to input, route, edit and update regulatory reports submitted by oil and gas operators.
- Geographic Information Systems ("GIS")
 - These applications provide the capability to create custom maps, convert survey calls to geographic coordinates, and convert and utilize geographic positioning system ("GPS") data.
 - The GIS Administrator creates daily updates for the Internet map data downloads.
- COGIS Tools
 - This set of applications allows staff to correct data in the database in addition to performing specialized workflow administration.
- Remote Users
 - This is the final component of the COGIS system. The deployment of this system was delayed due to database synchronization problems; laptops have

been deployed to COGCC field inspectors and environmental staff. While the application is still buggy, the feedback is that having information available in the field is a tremendous asset. This laptop system consists of Internet applications, and other report tools necessary for COGCC field staff to facilitate data collection and provide information.

- Electronic Business
 - There are approximately 200 operators reporting production electronically.

◆ COGIS Projects, Updates and Changes

▪ Hearing and Environmental File Indexing Project

The indexing of the hearing files is complete with the exception of Cause No. 1 and the NGPA hearing files. The hearing files will be boxed and moved to archives in the near future.

One person is currently working on indexing the environmental files. Reclamation project files are being scanned and indexed, starting with the largest reclamation projects. Only a few of these have been scanned, with completion expected by June 30, 2005.

▪ LAS File Upload

This project provides operators with a method to submit digital well logs to the COGCC over the Internet. This project, originally planned for completion in September, had been delayed primarily due to the need to change the contractor at the outset of the project. Beta testing was concluded in January and the application is now available from the forms page on the COGCC web site <http://oil-gas.state.co.us>.

▪ Network Refresh Project

This project is the replacement of the local area network equipment and the link to the Department for enterprise applications, email and Internet. The equipment is being replaced due to age, and the link is being replaced to provide redundancy and additional bandwidth. The procurement of the equipment is complete and is now in the configuration and testing phase. The project is expected to be completed by mid March.

▪ Delinquent Operations Report

This project is being designed to identify forms/reports that may be required and may be missing from the COGCC database. The project is in the software development and data cleanup phase. The software development should be completed by the end of the month but the data cleanup will take several months. In the future, oil and gas operators will be asked to review a list of forms/reports that have not submitted and either provide the report or information substantiating why it is not required.

▪ GIS Online Map Application changes

- Oil or gas field type (oil, gas, CO₂)
- Colorado places and labels (current and historic cities, towns, etc.)
- Zoom to Colorado Places layer features
- Cities Labels
- 1:250,000 Topos

- 1:24,000 Topos
 - Named Peaks
- New Drilling Permit Instructions
This newly created document is available on the Forms page, however, there will be a link to it on the home page for several weeks. There are also links to other pertinent documents related to permit requirements.
- Spacing Orders Project
The spacing orders are being evaluated and posted on the maps, with approximately seventy-five percent (75%) of the state having been reviewed.
- Database Cleanup Project
The database cleanup project has been halted, with almost 35,000 historic well records updated. The project was stopped due to funding availability. There are just under 28,000 well records that have not been updated.
- US Standard XML Reporting Project
COGCC, GWPC, BLM, MMS, API and agencies from several other states have been working together to establish an XML file format for permitting wells and reporting well completions. The group has completed a business case for this project and a DOE grant request has been submitted to fund the development. This project is currently being tested in California with a prototype standard that will then be the subject of a larger review process prior to becoming a national standard.
- Reports Online Project
This project has been delayed for a long period of time due to security configuration issues related to server access, most of which have now been resolved. Remaining issues with communications between applications used to deliver the reports are still being worked through.

VI. VARIANCES

A Rule 502.b. variance to Rule 318.a. allowing wells to be located less than 1200 feet apart, was granted to Meritage Energy Partners for the Sindtt #14 Well located in the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 31, Township 10 North, Range 52 West, 6th P.M., the Sindt #13 Well located in the SE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 31, Township 10 North, Range 52 West, 6th P.M., the Dickinson #6 Well located in the SE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 6, Township 9 North, Range 52 West, 6th P.M. and the Fluharty #2 Well located in the NW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 6, Township 9 North, Range 52 West 6th P.M.

Colorado Oil Gas Conservation Commission
Monthly Statistics

| YEAR | MO | Baker - Hughes rig count | Permits | | | | | | Unedited Historic Records | Public Visits | | | Well Oper Change | | | | |
|------|-------|--------------------------------|----------|------|--------------|------|-----------|------|---------------------------------|---------------|-------|------|------------------------|--------|----------|--------|------|
| | | | Drilling | | Recompletion | | Injection | | | Pits | | Data | | Office | Internet | | |
| | | | Apvd | Rcvd | Apvd | Rcvd | Apvd | Rcvd | Apvd | Rcvd | Apvd | Rcvd | 229 | 718 | 874 | 175690 | 4555 |
| 2002 | Total | | 2008 | 2051 | 174 | 177 | 30 | 25 | 252 | 229 | 832 | | | | | | |
| 2003 | JAN | 31 | 177 | 183 | 8 | 11 | 2 | 2 | 3 | 15 | 23963 | | | 82 | 88 | 16623 | 506 |
| | FEB | 32 | 158 | 163 | 21 | 18 | 1 | 0 | 1 | 3 | 24118 | | | 62 | 77 | 19140 | 191 |
| | MAR | 30 | 167 | 180 | 5 | 4 | 1 | 2 | 15 | 9 | 24212 | | | 51 | 55 | 18922 | 177 |
| | APR | 35 | 172 | 179 | 4 | 7 | 2 | 7 | 5 | 24 | 24363 | | | 63 | 123 | 21679 | 198 |
| | MAY | 37 | 184 | 198 | 18 | 23 | 5 | 0 | 29 | 132 | 24445 | | | 52 | 99 | 22307 | 477 |
| | JUN | 37 | 170 | 190 | 24 | 40 | 0 | 0 | 32 | 21 | 24489 | | | 59 | 65 | 20883 | 339 |
| | JUL | 40 | 201 | 200 | 28 | 21 | 0 | 4 | 136 | 17 | 24589 | | | 50 | 48 | 22779 | 417 |
| | AUG | 43 | 166 | 226 | 9 | 12 | 0 | 2 | 2 | 32 | 24655 | | | 53 | 43 | 17900 | 245 |
| | SEP | 48 | 209 | 188 | 26 | 32 | 2 | 2 | 13 | 30 | 24808 | | | 41 | 31 | 22718 | 234 |
| | OCT | 46 | 244 | 228 | 28 | 33 | 2 | 2 | 5 | 54 | 24901 | | | 41 | 38 | 29413 | 389 |
| | NOV | 44 | 142 | 204 | 4 | 11 | 1 | 0 | 6 | 13 | 24911 | | | 22 | 38 | 27961 | 208 |
| | DEC | 44 | 259 | 183 | 27 | 17 | 2 | 1 | 115 | 31 | 25042 | | | 34 | 50 | 21631 | 256 |
| 2003 | Total | | 2249 | 2322 | 202 | 229 | 18 | 22 | 362 | 381 | 1331 | | | 610 | 755 | 261956 | 3637 |
| 2004 | JAN | 45 | 200 | 240 | 12 | 10 | 0 | 1 | 36 | 7 | 25283 | | | 37 | 49 | 31236 | 356 |
| | FEB | 46 | 206 | 217 | 7 | 13 | 4 | 1 | 1 | 0 | 25423 | | | 44 | 30 | 31292 | 238 |
| | MAR | 50 | 243 | 302 | 8 | 25 | 2 | 3 | 2 | 9 | 25561 | | | 51 | 70 | 32931 | 357 |
| | APR | 51 | 254 | 194 | 10 | 8 | 5 | 2 | 34 | 36 | 25666 | | | 58 | 64 | 33241 | 214 |
| | MAY | 52 | 196 | 240 | 9 | 17 | 1 | 2 | 4 | 17 | 25732 | | | 41 | 56 | 31958 | 251 |
| | JUN | 51 | 258 | 228 | 18 | 13 | 3 | 4 | 6 | 4 | 25870 | | | 38 | 46 | 32273 | 243 |
| | JUL | 52 | 208 | 236 | 6 | 6 | 0 | 1 | 7 | 4 | 26017 | | | 40 | 43 | 30939 | 276 |
| | AUG | 60 | 236 | 268 | 14 | 19 | 0 | 1 | 8 | 42 | 26108 | | | 33 | 39 | 35060 | 355 |
| | SEP | 59 | 258 | 295 | 16 | 17 | 6 | 4 | 33 | 46 | 26421 | | | 40 | 61 | 38247 | 1915 |
| | OCT | 59 | 268 | 281 | 16 | 16 | 2 | 1 | 54 | 29 | 26657 | | | 65 | 31 | 42069 | 499 |
| | NOV | 61 | 242 | 284 | 11 | 9 | 1 | 0 | 38 | 19 | 26819 | | | 60 | 30 | 42433 | 328 |
| | DEC | 64 | 348 | 335 | 18 | 11 | 0 | 0 | 15 | 4 | 26968 | | | 43 | 30 | 41448 | 498 |
| 2004 | Total | | 2917 | 3120 | 145 | 164 | 24 | 20 | 238 | 217 | 1926 | | | 550 | 549 | 423127 | 5530 |
| 2005 | JAN | 65 | 263 | 254 | 7 | 34 | 0 | 0 | 4 | 7 | 27262 | | | 60 | 41 | 49839 | 804 |
| 2005 | Total | | 263 | 254 | 7 | 34 | 0 | 0 | 4 | 7 | 294 | | | 60 | 41 | 49839 | 804 |

Colorado Oil Gas Conservation Commission
Monthly Statistics

| YEAR | MO | Operators | | Release | | Bonds | | Claim | | Hearings | | Violations | | Remediation | | Field Insp | | |
|------|-------|-----------|----------|---------|-------|---------|------|-------|-------|----------|------|------------|-----|-------------|--------|------------|------|------|
| | | New | Inactive | Ind. | Blnkt | Replace | Ind. | Blnkt | Apps. | Order | NOAV | AOC | OFV | Complt | Spills | | Rcvd | Comp |
| 2002 | Total | 63 | 97 | 62 | 58 | 98 | 2 | 1 | 63 | 52 | 280 | 5 | 21 | 176 | 206 | 80 | 58 | 6499 |
| 2003 | JAN | 8 | 6 | 8 | 3 | 5 | 0 | 0 | 3 | 4 | 30 | 1 | 0 | 5 | 20 | 6 | 1 | 522 |
| | FEB | 10 | 7 | 2 | 2 | 10 | 0 | 0 | 4 | 2 | 10 | 1 | 0 | 9 | 16 | 3 | 8 | 590 |
| | MAR | 6 | 8 | 5 | 4 | 13 | 0 | 0 | 7 | 3 | 8 | 1 | 0 | 13 | 17 | 4 | 1 | 655 |
| | APR | 6 | 4 | 9 | 1 | 7 | 0 | 0 | 7 | 5 | 24 | 0 | 1 | 22 | 17 | 6 | 1 | 645 |
| | MAY | 5 | 3 | 2 | 5 | 10 | 0 | 0 | NA | NA | 8 | NA | NA | 14 | 17 | 6 | 3 | 857 |
| | JUN | 3 | 6 | 2 | 3 | 3 | 8 | 3 | 7 | 4 | 5 | 1 | 0 | 20 | 20 | 5 | 9 | 765 |
| | JUL | 5 | 6 | 3 | 2 | 15 | 0 | 0 | 1 | 0 | 17 | 0 | 0 | 17 | 23 | 3 | 1 | 529 |
| | AUG | 6 | 7 | 4 | 1 | 8 | 0 | 0 | 6 | 7 | 12 | 2 | 0 | 9 | 14 | 5 | 2 | 631 |
| | SEP | 8 | 12 | 10 | 0 | 10 | 0 | 0 | 3 | 2 | 16 | 0 | 0 | 13 | 21 | 4 | 1 | 702 |
| | OCT | 10 | 7 | 6 | 7 | 12 | 0 | 0 | 2 | 2 | 9 | 0 | 1 | 14 | 24 | 13 | 7 | 589 |
| | NOV | 5 | 3 | 2 | 3 | 12 | 0 | 0 | NA | NA | 9 | NA | NA | 8 | 18 | 21 | 8 | 514 |
| | DEC | 9 | 3 | 5 | 0 | 14 | 0 | 0 | 5 | 2 | 13 | 1 | 0 | 13 | 15 | 3 | 3 | 505 |
| 2003 | Total | 81 | 72 | 58 | 31 | 124 | 3 | 0 | 45 | 31 | 161 | 7 | 2 | 157 | 222 | 79 | 45 | 7504 |
| 2004 | JAN | 5 | 10 | 8 | 7 | 5 | 0 | 0 | 9 | 8 | 10 | 4 | 0 | 15 | 23 | 3 | 3 | 622 |
| | FEB | 5 | 4 | 4 | 3 | 11 | 0 | 0 | 7 | 3 | 17 | 2 | 0 | 19 | 22 | 5 | 5 | 745 |
| | MAR | 3 | 7 | 5 | 8 | 7 | 0 | 1 | 16 | 16 | 15 | 13 | 0 | 23 | 24 | 13 | 3 | 706 |
| | APR | 7 | 8 | 7 | 4 | 11 | 0 | 1 | 4 | 4 | 53 | 1 | 0 | 14 | 22 | 3 | 0 | 566 |
| | MAY | 12 | 3 | 0 | 0 | 10 | 0 | 0 | 8 | 7 | 27 | 2 | 0 | 10 | 22 | 7 | 8 | 984 |
| | JUN | 13 | 6 | 0 | 0 | 10 | 0 | 0 | NA | NA | 24 | NA | NA | 14 | 17 | 8 | 9 | 714 |
| | JUL | 8 | 2 | 4 | 2 | 12 | 0 | 0 | 9 | 4 | 12 | 4 | 0 | 11 | 16 | 7 | 5 | 566 |
| | AUG | 16 | 4 | 2 | 6 | 10 | 0 | 0 | 4 | 3 | 15 | 3 | 1 | 9 | 24 | 4 | 3 | 661 |
| | SEP | 8 | 7 | 8 | 0 | 12 | 0 | 0 | 4 | 4 | 19 | 0 | 0 | 16 | 17 | 8 | 22 | 708 |
| | OCT | 8 | 3 | 3 | 2 | 13 | 0 | 0 | 0 | 0 | 9 | 0 | 0 | 8 | 17 | 10 | 1 | 623 |
| | NOV | 10 | 6 | 9 | 1 | 9 | 0 | 0 | 1 | 1 | 10 | 0 | 2 | 6 | 4 | 0 | 1 | 396 |
| | DEC | 10 | 3 | 5 | 3 | 8 | 0 | 0 | NA | NA | 19 | NA | NA | 3 | 11 | 10 | 9 | 326 |
| 2004 | Total | 105 | 63 | 55 | 36 | 118 | 0 | 2 | 62 | 50 | 230 | 29 | 3 | 148 | 219 | 78 | 69 | 7617 |
| 2005 | JAN | 10 | 3 | 3 | 7 | 10 | 0 | 1 | 7 | 3 | 18 | 0 | 1 | 9 | 13 | 8 | 14 | 446 |
| 2005 | Total | 10 | 3 | 3 | 7 | 10 | 0 | 1 | 7 | 3 | 18 | 0 | 1 | 9 | 13 | 8 | 14 | 446 |

Apvd = Approved, Rcvd = Received, Ind = Individual, Blnkt = Blanket, Apps = Application for Hearing, NOAV = Notice of Alleged Violation, AOC = Administrative Order of Consent, OFV = Order Finding Violation, Complt = Complaint, Comp = Completed

Ambitious expansion plans

Rocky Mt. News

Energy firms poised to pour money into new drilling in region

**By Gargi Chakrabarty, Rocky Mountain News
January 21, 2005**

Energy companies are poised to spend more than \$1 billion this year to drill oil and gas wells in the Rocky Mountain region, mostly in Colorado.

With energy prices hovering near record highs, most companies are focusing on the Rocky Mountains to expand their production. The Bush administration's push to open the region for more drilling has helped their plans.

"This really is an extension of the trend seen in the last several years," said Brian Macke, director of the Colorado Oil and Gas Conservation Commission, which regulates the industry. "We issued a record 2,917 drilling permits in 2004 and anticipate at or above that level this year."

Macke noted that the fast pace of energy development has raised concerns.

"There is an increase in the potential for land-use conflicts," Macke said. "This (development) also brings with it an increase in concern that public and local governments have regarding issues such as noise, traffic, dust and well-side reclamation.

"But the commission has a comprehensive body of rules and regulations to protect public health and safety with respect to oil and gas development."

Companies with operations in Colorado have ambitious plans for 2005.

Canadian giant EnCana Corp., whose U.S. headquarters are in Denver, plans to invest about \$480 million in the Piceance Basin to drill more than 300 new wells this year. It acquired Denver's Tom Brown Inc. for \$2.2 billion last year to further consolidate its position in Garfield County.

"Piceance Basin would account for 30 percent of our \$1.6 billion capital expenditure this year," said Walter Lowry, director of community and industrial relations at EnCana Oil & Gas (USA) Inc.

EnCana, the nation's top gas producer at the end of third quarter 2004, spent \$1.3 billion on capital expansion last year.

Kerr-McGee Corp. will invest \$120 million to drill 220 wells in Weld County's Wattenberg oil and gas field this year - \$10 million more than in 2004. That's part of its \$660 million capital budget to develop onshore oil and gas fields. The Oklahoma City-based company bought Westport Resources Corp., a Denver company, for \$3.4 billion last April.

Williams, another Oklahoma company, has budgeted \$525 million to \$575 million for capital investment this year, a lion's share of it flowing into Colorado's Piceance Basin and Wyoming's Powder River Basin. This compares with the \$400 million to \$450 million it spent in 2004.

BP, one of Colorado's top gas producers, with fields in La Plata County, plans to drill 50 wells this year, the same number as last year.

The company is trying to secure another rig in order to drill about 25 additional wells, said Dan Larson, BP's director of public affairs, although he didn't reveal the company's capital budget for 2005.

Denver's Western Gas Resources plans to spend \$339 million to expand its production this year, a 21 percent jump over its 2004 capital budget.

Of this, 87 percent, or \$296 million, will be invested in the Rocky Mountain region, mostly in the Powder River and Green River basins.

Colorado's mines, wells produce mother lode in '04

**By Gargi Chakrabarty, Rocky Mountain News
February 1, 2005**

Break out the erasers, and change 2003's \$6 billion to almost \$9 billion for the value of Colorado's natural gas, coal, oil and mineral production in 2004.

The \$8.74 billion estimate, up about 44 percent from the previous year, will be released Wednesday by the Colorado Geological Survey during the 107th National Western Mining Conference, held Wednesday through Friday at the Hyatt Regency hotel in downtown Denver.

The theme of the conference is "Colorado Mines the World," underscoring the state's burgeoning importance in the mining industry.

James Cappa, chief of the survey's mineral resources section and author of the report, said it will be tough this year to surpass 2004's outstanding performance.

"I don't know how we can beat 2004," Cappa said. "I think gold and molybdenum prices will level off this year and so will oil prices.

"I think maybe we will produce 30 percent more natural gas this year. So if prices remain the same, the value of gas alone could be \$7 billion to \$7.8 billion in 2005. But I could be dead wrong."

More than two-thirds of the total value in 2004, or \$6 billion, came from natural gas. Colorado is estimated to have produced a record 1.1 trillion cubic feet of gas in 2004, buoyed by skyrocketing prices on the back of growing demand from power utilities and residential homes.

Another \$1 billion came from non-fuel minerals, including gold, molybdenum, sand and gravel - a 42 percent increase from \$702 million in 2003.

In fact, molybdenum - used to harden steel - is the underrated mineral that has made a huge comeback in recent years thanks to growing demand for steel in China, which has become a net importer of the mineral.

The average price of molybdenum was \$18 a pound in 2004, a far cry from \$2.36 a pound in 2001. At the end of last year, the price stood at \$37 a pound, a level it retained in the beginning of 2005.

Cappa said the Henderson Mine added a third labor shift in 2004, making it a continuously operating mine that helped produce 28 million pounds of molybdenum last year - up from 22 million pounds produced in 2003. Located outside Empire in Clear Creek County, about 50 miles west of Denver, Henderson is one of the biggest molybdenum mines in the state.

Colorado's coal production touched a record 40.1 million tons in 2004 for a value of \$1.08 billion. The state is on track to produce a similar amount this year, although Peabody Energy - the world's largest coal producer - is closing its Seneca mine near Steamboat Springs this year.

The value of Colorado's oil production in 2004 remained more or less flat at \$600 million.

Despite the record level of oil and gas drilling in 2004 (the state issued 2,917 drilling permits last year), the number of complaints dropped, albeit marginally, to 146 from 156 in 2003, the Colorado Oil and Gas Conservation Commission reports.

"The complaints vary from concerns about impacts to ground water to noise to property damage to weeds to land reclamation," COGCC Director Brian Macke said. "I'd say in 2005, the number of complaints will remain at or above the level in the past couple of years, given the heightened level of drilling and increasing number of active wells.

"Also, there could be an increasing number of potential conflicts in areas used for rural residential developments now being used for drilling activities, and those developments approaching on areas historically used for oil and gas drilling activities."

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County drills for data on gas industry impacts

Post Independent Writer

January 26, 2005

The public has questions.

Garfield County commissioners are looking for answers.

Stepping up with a lot of the county's money to make sure the work gets done, commissioners are pushing forward with multiple efforts to look at the local impacts of the natural gas industry.

The county is spearheading research into how drilling is impacting air quality, and going forward with a Cumulative Impact Study gauging the industry's social and economic impacts.

This research will dovetail with a study to be funded by last year's \$371,000 fine against EnCana for the Divide Creek seep. That study will focus on drilling's impacts on the region's water and geology, and also entail a health-risk analysis.

Put together, these efforts should lead to a comprehensive look at what drilling is doing to the county, both for bad and good.

The socioeconomic study will look at gas production's impacts on property values, local government revenues, employment, roads and other infrastructure, human services, schools, recreation, police and emergency services, and overall demographics.

The county originally proposed that the study be funded by the EnCana proceeds, but to its credit decided to fund it separately when it was turned down. Ditto for the air quality study. Ideally, this would be paid for by an agency such as the state's health department or Department of Local Affairs, through its Energy Impact Fund. But the health department pleaded poverty due to Colorado's ongoing fiscal crisis and could grant only \$10,000, and the impact fund bid was turned down despite the study's focus on energy impacts.

So commissioners decided to spend \$150,000 this year for the first phase of the socioeconomic study, and \$380,000 over the next two years to look into air quality issues.

While driven by drilling concerns, these studies will take a broader look at the issues, examining other sources of air pollution such as Interstate 70 traffic, and development beyond that gas industry. Still, they should yield data that will help zero in on what drilling is doing to the county. The increase in understanding and awareness should help the public, policymakers and the industry itself as they discuss issues such as what kinds of regulations are warranted, and factor into those decisions what level of wealth is being produced locally by gas development.

As the county has come to increasingly benefit from the taxes and royalties brought in by drilling, it is appropriate that it also help fund studies geared at gauging the industry's impacts. As the county has

come to increasingly benefit from the taxes and royalties brought in by drilling, it is appropriate that it also help fund studies geared at gauging the industry's impacts.

Gas drilling opponents want Roan spared

By Scott Condon
February 3, 2005

An odd coalition of residents ranging from a respected architect to an organic farmer who calls herself a crew member on Spaceship Earth is trying to keep a unique piece of public land off limits to the oil and gas industry.

Close to 200 people showed up to lobby the Garfield County commissioners last night to ask the Bureau of Land Management to prohibit drilling for natural gas on the Roan Plateau - a towering mesa that juts dramatically from the Colorado River valley north of Interstate 70 outside Rifle.

"Western Garfield County is a sacrifice zone. You know it. Well all know it," said Dean Moffatt, an architect from Glenwood Springs.

The gas industry has been so active around areas like Silt, Rifle, Parachute and Rulison that people are moving out after seeing their water fouled and their land scarred by the industry, Moffatt said. He asked the commissioners to help their constituents by making the Roan Plateau a "poster child" for standing up to the industry.

For people unfamiliar with the Roan Plateau, Rachel Conner of Rifle put it into perspective. She explained that the wild lands and stark beauty of the plateau make it as important to residents of western Garfield County as Mt. Sopris is to Carbondale and Glenwood Springs, and the Maroon Bells are to Aspen.

Mark Rinehart of No Name said Garfield County might be more aptly named Gasfield County if environmental preservation isn't balanced with resource extraction. He noted that many people in the area believe in an ethic of "tread lightly" on public lands to preserve them for future generations. So it's disheartening to see those same lands leased to the gas industry.

"Maybe we don't have to tread lightly on those public lands anymore," Rinehart said facetiously.

The BLM is undertaking a study to determine how to manage public lands that include the 44,267 acres atop Roan Plateau. Extensive gas development has already occurred around the base.

Green groups led by the Colorado Environmental Coalition and Colorado Mountain Club are trying to convince the BLM to adopt a plan that would preserve the top and encourage the gas industry to use directional drilling, which occurs at an angle rather than straight down, to get at the majority of the lucrative methane reserve. Their proposal would prohibit drilling from the mesa top for 20 years.

The BLM is reviewing five proposals that allow varying degrees of drilling. Its preferred alternative would protect the most sensitive ecological areas but still allow extensive gas exploration.

The environmental groups' "Community Alternative" has the support of the Glenwood Springs and Carbondale town councils. Virtually all the speakers at last night's hearing endorsed it, except gas industry representatives.

John Skellion, who lives in the Grass Mesa area south of Rifle, said the elk disappeared and deer are now rarely seen in his rural area because of rampant gas well development. The companies first created drill pads 80 acres apart, then 40 and now 20, he said.

"Once the oil companies get on top of the Roan, it's over," Skellion said.

While preservationists might have sentiment on their side, the gas companies claim to be backed by law. Duane Zavadil, speaking for the Colorado Oil and Gas Association, said "no leasing or delayed leasing is not an alternative." The companies have a right to lease and extract the mineral rights underneath the surface, he claimed. And 40 percent of the mesa top is private land, so leasing and drilling is inevitable, he said.

In addition, he said directional drilling from the base isn't technologically feasible so drilling from the top is required. About 80 percent of the gas that could be reached from the top can be drilled using existing roads, Zavadil said. Roughly 39 drill pads will be needed for 390 or so wells, he estimated.

The Garfield County commissioners will review the information they were presented throughout the next month and make a recommendation to the BLM.

Information about the BLM's alternatives is available at www.roanplateau.ene.com.

Information on the "Community Alternative" is available at www.saveroanplateau.org.

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Rocky Mountain News

Mineral windfall keeps paying off

Royalties for Colorado skyrocket 43% to \$89.4 million in '04

**By Gargi Chakrabarty, Rocky Mountain News
February 2, 2005**

The state pocketed \$89.4 million in royalties from drilling and mining on federal lands - a 43 percent jump from 2003 - yet another indicator of the continuing windfall from surging energy and mineral prices.

The U.S. Department of the Interior collects royalties from oil, gas and mining companies that drill wells or mine on federal lands in individual states.

The fee usually is a percentage of the resource being produced, paid in cash or in kind. The agency later splits the money equally with those states.

Alaska, which gets back 90 percent of its royalties, is the only exception.

The 36 royalty-receiving states saw a 21 percent increase in royalties, which totaled more than \$1.32 billion.

In 2004, the value of Colorado's oil, gas, coal and metal production was \$8.74 billion, a 44 percent jump from the previous year, the Colorado Geological Survey estimates.

The royalty money goes to school districts, local governments and the water conservation board. Colorado ranked No. 3 among the 36 states, behind Wyoming's \$604.4 million and New Mexico's \$382.8 million.

"These revenues are an extremely important source of funds to many states," said Johnnie Burton, director of the Minerals Management Service, an arm of the Interior Department that collects royalties and is based in Denver.

Royalty money is divided according to a formula decided by the state legislature many years ago, said Stephen Colby, a researcher with the Colorado Department of Local Affairs.

Roughly half the money goes to school districts to equalize per-pupil funding. About 16 percent goes to city and county governments, and 10 percent goes to the Colorado Water Conservation Board to provide water, mostly in rural areas.

The state local affairs department also provides grants to local governments in mineral-producing areas to build schools, roads, sewers and other infrastructure projects, Colby said.

All the money has to go back to the local governments, one way or the other, Colby noted.

In 2004, Colorado produced an estimated 1.1 trillion cubic feet of gas, valued at \$6 billion. Also, its coal production touched a record 40.1 million tons in 2004, for a value of \$1.08 billion.

Gold, uranium and molybdenum prices helped, too, with the total value of non-fuel resources touching \$1 billion last year - up from \$702 million in 2003.

"We are very happy to see these high prices and increased production into these high prices," said James Cappa, the chief of the Colorado Geological Survey's mineral resources section. "But there are some concerns.

"There are issues with land owners, those concerning mineral rights and surface rights owners, that need to be addressed," Cappa said. "Our statutes say we must promote mineral development in an environmentally sound manner, and we always want to see that taken care of."

Oil and Gas Commission adopts new on-site inspection policy

Post Independent Writer

January 12, 2005

Despite a plea by the Garfield County Energy Advisory Board to delay its decision, the Colorado Oil and Gas Conservation Commission adopted a new policy Monday for on-site inspections of proposed natural gas well locations.

by Donna Gray

Post Independent Staff

Despite a plea by the Garfield County Energy Advisory Board to delay its decision, the Colorado Oil and Gas Conservation Commission adopted a new policy Monday for on-site inspections of proposed natural gas well locations.

The policy, which is effective Feb. 15, will allow surface owners who do not own the rights to the minerals beneath their land, to request an on-site inspection of a proposed well pad.

The COGCC will not issue a permit to drill until a site inspection takes place. Previous rules did not allow surface owners the ability to request a site inspection.

Members of the Grand Valley Citizens Alliance objected to the new policy saying surface owners would be better protected from drilling impacts through legislation. Newly elected state Rep. Kathleen Curry of Gunnison will introduce a bill to protect the rights of surface owners in the next legislative session.

The Garfield County Commissioners and the county Energy Advisory Board also asked the COGCC to delay adopting the policy until February to give the EAB time to study what it characterized as last-minute changes drafted on Jan. 4. The original draft of the policy was published Dec. 2.

EAB members criticized the COGCC for submitting the changes on short notice.

"We can't continue to operate with 11th hour, last minute changes," said board member Doug DeNio.

The EAB voted in favor of the Dec. 2 draft of the policy but took issue with some of the changes in the Jan. 4 draft. The EAB makes recommendations to the county commissioners on oil and gas matters.

"We did take time to prepare another draft. It was released just as soon as possible. It is a commission policy not a formal rule. It was also released with the knowledge that there would be a full hearing on Monday for people to comment," COGCC director Brian Macke said. "Although we didn't delay (the adoption of the policy), it doesn't mean we don't take Garfield County concerns seriously."

One of the changes from the earlier draft gives surface owners 10 business days to request an on-site inspection, rather than 20 calendar days, said county oil and gas auditor Doug Dennison, who attended the COGCC hearing.

"It ultimately gives the surface owner more time" to request an inspection. Dennison explained that the timing of the inspection request changed from early to latter in the drilling permit process.

"I think it would be closer to when the well permit would be filed and all the issues (with well road locations) would be more relevant. Potentially it would delay the permit and gives the surface owner more leverage," he said.

Macke said surface owners will be able to request an inspection after the operator has determined where it will place a drill pad and access roads, rather than much earlier in the process.

"It gives the surface owner more information," Macke said.

Also at issue was no longer automatically including a local government designee in the site inspection, in this case, Dennison. The designee will have to be specifically requested to be present by the surface owner.

Dennison said the policy is just that, a guideline that is not cast in stone. A trial period of six months is common to try it out and give all interested parties an opportunity to come back with comments about how well it does or does not work.

"The O&G staff said this is routine to try it as a policy before adopting it as a rule," Dennison said. "I think that within six months we'll have a good idea if it does what it's intended to do."

Surface owners also have other options for relief if they believe they are being unfairly impacted, Dennison said.

"The problem is people have to use the process to the fullest. They have to really understand the oil and gas rules. It's tough," he said.

"In my experience, operators will move a drilling location as best they can unless there are technical reasons (why they cannot).""In my experience, operators will move a drilling location as best they can unless there are technical reasons (why they cannot)."

Public says don't drill on Roan

By Heidi Rice

January 14, 2005

Do not drill the top of the Roan Plateau.

That was the message sent loud and clear to Rifle city officials this week from the audience during an informational meeting at Rifle City Hall about the management plan for the public land.

Council chambers were full, with four city council members, representatives from the Bureau of Land Management, Division of Wild Life, the Colorado Oil and Gas Conservation Commission, oil and gas companies, city staff and citizens from as far away as Grand Junction.

"This is an informational gathering meeting so the city of Rifle can formulate their position and give it to the BLM," Mayor Keith Lambert said at the start of the meeting. "But it's important to realize your comments must be submitted in writing to the BLM."

The BLM last fall came out with five alternatives for management of the Roan Plateau and announced its "preferred alternative" as Alternative 3, which would allow drilling on the sides and base of the plateau and deferring any drilling on top until 80 percent of anticipated wells below the rim had been completed.

Citizens were allowed three minutes each to voice their comments to the council.

"This is an extremely valuable piece of real estate, but it's public real estate," said Pete Kolbensschlag of the Colorado Environmental Coalition. "It's used to recreate in Garfield County. There should be no drilling on top."

Kolbensschlag questioned choosing any of the alternatives set out, including Alternative 3.

"The range of alternatives will have a terrible impact on wildlife," he said. "A bad decision deferred until tomorrow is still a bad decision."

The coalition is instead lobbying for a "community alternative" which would combine various elements of the management plan alternatives. Kolbensschlag said his group is not against oil and gas development, but it believes the gas could be accessed without drilling on top of the plateau. He said 85 to 99 percent of the minerals are expected to be extracted within the 20 year life span of the plan.

"What we're arguing over is the last 1-15 percent that can be extracted without drilling on top," he said.

While many supported Alternative 3 to allow drilling, but not on top, a few recommended that drilling not be allowed on the plateau at all. Janie Hines Broderick of Parachute, who has a long history of involvement in citizens watchdog groups over the oil and gas industry, called Alternative 3 a "red herring" to put off development of the top for the next 10-20 years.

"Although (Alternative 3) looks good, the reality is that it misses the point in terms of resource protection," she said. "It's not a perfect alternative, and there's still a lot of work to be done. I encourage you as authorities and representatives of the people to continue to protect our resources."

Lambert urged people to put their comments in writing either through the city or directly to the BLM. "The city will reconvene to discuss the input and look at the alternatives and options," he said.

Rifle will not hold any more public forums, but the meeting may be viewed on public access Channel 13.

Garfield County will also hold an informational meeting at 7 p.m. Wednesday, Feb. 2, in the hearing room at the county annex building in Glenwood Springs. Another public meeting is tentatively scheduled for Wednesday, Feb. 9, in Parachute, at a time and location to be announced.

Roan Plateau Comments: E-mail comments to www.roanplateau.ene.com or send them to Roan Plateau Comments, Glenwood Springs Field Office, Bureau of Land Management, P.O. Box 1009, Glenwood Springs, 81602. The BLM will take public input until March 4.

Towns: It's still no to Roan drilling

Thursday, January 27, 2005

By MIKE McKIBBIN

The Daily Sentinel

Three of Garfield County's six municipalities have reaffirmed opposition to drilling for natural-gas on top of the Roan Plateau.

Glenwood Springs, New Castle and Silt town officials all approved resolutions to that effect in the last few weeks, while Carbondale, Rifle, Parachute and Garfield County Commissioners will take up the question in the next week.

The Bureau of Land Management released a draft management plan and environmental impact statement in November that called for varying levels of gas drilling on top of the 73,602-acre plateau over the next 20 years.

Glenwood Springs City Council voted 5-2 against drilling on top of the plateau. Councilman Dave Merritt cast one of the two negative votes and said he did so because he wanted to hear more about the plan and from the gas industry.

Merritt said Glenwood Springs has an ordinance against new wood stoves, so natural gas is needed.

"It kind of puts us at cross purposes to say protect the Roan Plateau, but we still want everyone to have nice, warm homes," he said.

The city agreed to become a cooperating agency with the BLM on further development of the plan.

Rifle, Parachute, Garfield and Rio Blanco counties and the Colorado Department of Natural Resources already are cooperating agencies, which gives them an added level of input into the planning process.

Glenwood Springs will be forced to take a more active role in the process as a cooperating agency, Merritt said, "and make sure we look at all the benefits and effects. We need to look for oil and gas but balance it with protection of the environment."

Silt Mayor Pro Tem Tod Tibbetts said that town's new resolution echoed the stance from two years ago.

"This just reaffirmed our position that the top is not a good place for whole-scale drilling," he said. "I think it was important to have a resolution that spelled out things because this is about issues that affect the entire region."

Rifle and Parachute officials are scheduled to hold a work session Monday night to discuss the Roan Plateau plan, while the Garfield County Commissioners will listen to public comments Wednesday, Feb. 2, at 6 p.m. in Glenwood Springs.

The BLM confirmed Tuesday that its Northwest Colorado Resource Advisory Council will discuss the draft plan from 2-6 p.m. Wednesday, Feb. 9, at the Battlement Mesa Activity Center, 0398 Arroyo Drive.

The 15-member council represents a broad range of public land interests, such as environmentalists, local government and commercial operators.

The public can voice concerns or questions to council members, but official public comments on the Roan plan must be made in writing or online to the BLM to ensure consideration.

Public comments should be as specific as possible about the plan. Copies of the plan and information on providing input are available in the Glenwood Springs Field Office, 50629 U.S. Highway 6&24, Glenwood Springs 81602, or online at www.roanplateau.ene.com.

Mike McKibbin can be reached via e-mail at mmckibbin@gjds.com.

Water well expert to speak at CMC

By Ryan Graff
January 20, 2005

Tony Gorody, a Houston-based water-well expert, will give three presentations at Colorado Mountain College's Rifle Campus this week.

CMC invited Gorody to Rifle after Pam Arsenault, dean of the Rifle campus, heard him speak at a Northwest Colorado Oil and Gas Commission meeting in November.

Gorody is an engineer, hydrologist and geologist, said Arsenault, and "has taken those three fields and put them together in a very even-handed way," she said.

The presentations are timely because of citizens' concerns about natural gas drilling and because the oil and gas industry recently started doing baseline studies on well water in Garfield County, Gorody said in an interview from Houston.

"A lot of people are getting baseline reports," he said, but that doesn't mean they are able to understand the 20 pages of information. Gorody said he will take a look at well-water reports from anyone who brings one.

Gorody is donating his time for the trip and lectures, but after he committed to coming, the Colorado Oil and Gas Conservation Commission offered to pay his expenses.

"We believe it's a valuable outreach effort that is really in everyone's best interest," said COGCC president Brian Macke. "It's in our best interest, in the best interest of the county, and the best interest of the citizens of the county to understand as much as possible about their water wells and their well-water resources," he said.

The focus of the meeting will be much broader than just oil and gas, Gorody said.

Gorody has looked at water-well reports from Garfield County, he said, and thinks the biggest problem is well maintenance.

"Oil and gas is really such a minuscule impact," he said. "The biggest problem I see is bacterial infection. People are losing their water well because they're not maintaining it," he said. "And that's true just about anywhere."

Gorody will also speak about what water is good for what purposes. Some water is good for drinking, some good for irrigation, and some is not good for either purpose, he said.

"This is information that everyone who owns a water well ought to have," Arsenault said.

Gorody has been working with water since the mid-1980s in the Rocky Mountains and in the Appalachians. He is an advisor for oil and gas regulators and producers and has a Ph.D. in geochemistry from Rice University.

But folks who attend the presentations don't need to worry about a bunch of technical jargon that would take a Ph.D. to understand.

"I guess if I have a talent, it's to explain difficult things in layman's terms," Gorody said.

Talk To An Expert: Dr. Tony Gorody, president of Universal Geoscience Consulting Inc. of Houston, has 26 years of international and domestic experience in evaluating natural gas and ground-water resources. He will give three free presentations on well water this week. He has studied Garfield County water and will look at any water reports citizens bring in.

The presentations are: 6-9 tonight at the Garfield County Fairgrounds Meeting Room; 6-9 Friday at the Battlement Mesa Activity Center; and at 9:00 a.m. Saturday at the Garfield County Fairgrounds Meeting Room.



January 20, 2005
Volume 55, Issue 29

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Bedrock Drill Belches Gas Paradox Valley Resident Cries Stink Over Leak

Unexpected emission of gas pockets usually evokes laughter in children, but in a recent case in Bedrock there is one man crying stink over the ordeal. Tommy Boylan of Paradox is speaking out about an incident last month, on Dec. 6th, where a drill rig in Bedrock belched out enough Hydrogen sulphide gas to make him sick. Another was reportedly hospitalized from the occurrence.

Boylan reported the incident to Jamie Adkins of the Colorado Oil and Gas Conservation Commission (COGCC) in Grand Junction, who visited the site in response and cited them a notice of alleged violation.

The notice, which Adkins described as being similar to a traffic ticket, was given after he suspected the operator was not complying to rules and regulations of the COGCC.

Adkins responded to an allegation by Boylan of fining the drill rig \$1,000 by saying the statement was untrue and referred any other comments to the main COGCC office in Denver.

Morris Bell, operations manager for the commission was contacted and said Adkins had enacted a H₂S (Hydrogen sulphide) low concentration health hazard notice of alleged violation because he thought there was a problem with the rig operator not complying with rules and regulations.

"Jamie found they needed to do two things," said Bell. "They needed to make operational changes and file paperwork on the incident by January 31st."

Bell said the drill rig had vented a gas flow with a low level of H₂S without burning it off and that the incident was not reported to the commission.

The rig's operational change requirements are to flare off any H₂S (which would result in no health hazards), and during flaring operations they must maintain monitoring within a 1/4 mile radius of the flaring when it's done.

The paperwork required is a written report of why the incident occurred and what future abatement corrective actions will be taken if it occurs again.

Bell said the incident was "very unusual" and unexpected and the steps taken by the drill operator will prevent any future health hazards. Scientists have found no long term effects from low level exposures to the gas.

The one reportedly hospitalized, Doris VanNess, went to the Basin Clinic in Naturita and was released the same day after complaining of burning eyes.

"I wish he (Boylan) would quit telling everyone I was hospitalized," she said. "I wasn't hauled out in an ambulance and was never hospitalized. I got a prescription and left."

VanNess said the drilling company paid for all her doctor bills, and when the gas leak problem was discovered, they shut down the operation for a week. She said the bad publicity upsets her because she supports the drilling in Bedrock.

"The economy needs the well," she said. "I feel strongly about this."

VanNess said she has been accused of supporting the drilling activity for money but she does not own the property or the mineral rights, so the allegations are unfounded. She said the drill operator and crew member are very cooperative and good neighbors.

"They knew they had a problem that day because of an inversion," she said. "They corrected it and shut down for a week. I think they are doing everything in their power to be open and involved with the community."

Bell said Adkins was impressed by the drill operators concern for public safety when he hired a third party contractor to monitor for H₂S. He said they aren't required to do so. This is the first drilling operation in the Paradox Valley and they were not expecting, or prepared, to find H₂S in the process.

"They know the possibilities better now," he said. With the monitoring and flaring action in place, the H₂S will burn up with no health issue involved, according to Bell.

Devon Energy's public affairs manager, Brian Engel, said this is their first exploratory well in the area and there was no history of an H₂S presence.

"In the course of normal testing operation, a small volume was vented," he said. "When H₂S was discovered in the well, it was shut in. Then safety personnel were brought in to train the crew and monitor the well to protect nearby residents, crew members and the environment."

The Oil and Gas industry is tightly regulated by the COGCC and a contingency plan is there for protection.

All gas at the site is contained, flared and monitored with appropriate H₂S and SO₂ equipment, he said.

Last Friday, Jan. 14th, the rig crew performed an H₂S drill, and On Wed., Jan. 19th, the Paradox Valley EMT's will receive training at the fire hall. Before the end of the month, local emergency responders will receive training as well, Engel said.

Hydrogen sulphide can also be found in animal manure emissions, cigarette smoke, diesel fumes, etc. Toxicity of hydrogen sulphide gas is measured in parts per million (ppm).

The toxicity rated by scientists are: 10 ppm = 1/1000 of 1% you can smell it and work in it safely for 8 hours exposure, 100 ppm = kills smell in 3 to 15 minutes may sting eyes and throat, 200 ppm = kills smell, stings eyes and throat, loses sense of reasoning and balance, 500 ppm = respiratory paralysis in 30 to 45, minutes needs prompt artificial resuscitation, will become unconscious quickly (15 Minutes Maximum), 700 ppm = Breathing will stop with death resulting if not rescued promptly, Needs immediate artificial resuscitation, away from the danger zone, 1,000 ppm = permanent brain damage may result unless rescued promptly.

PENALTY PAYMENT STATUS
02/07/05

I. PENALTIES ASSESSED/PAID

| Fiscal Year | # of Orders Issued | \$ Amount Assessed | # of Orders Paid | \$ Amount Paid | # of Orders Waived | \$ Amount of Orders Waived | # of Orders Paid through Collections | \$ Amount of Assessed Penalties Later Uncollectable |
|---------------|--------------------|--------------------|------------------|------------------|--------------------|----------------------------|--------------------------------------|---|
| 90-91 | 4 | \$32,300 | 4 | \$32,300 | 0 | \$0 | n/a | \$0 |
| 91-92 | 0 | \$0 | 0 | \$0 | 0 | \$0 | n/a | \$1,500 |
| 92-93 | 6 | \$10,000 | 2 | \$6,500 | 0 | \$0 | n/a | \$47,608 |
| 93-94 | 12 | \$263,608 | 7 | \$105,000 | 0 | \$0 | n/a | \$18,247 |
| 94-95 | 10 | \$83,817 | 4 | \$21,805 | 4 | \$139,000 ^a | n/a | \$0 |
| 95-96 | 29 | \$238,250 | 19 | \$154,000 | 3 | \$20,750 | n/a | \$0 |
| 96-97 | 13 | \$79,500 | 8 | \$29,500 | 0 | \$0 | n/a | \$32,750 |
| 97-98 | 30 | \$140,500 | 22 | \$74,750 | 0 | \$1,000 | n/a | \$2,000 |
| 98-99 | 19 | \$74,000 | 18 | \$66,500 | 2 | \$25,000 | n/a | \$2,000 |
| 99-00 | 23 | \$110,500 | 12 | \$59,460 | 0 | \$3,000 | 2 | \$11,000 |
| 00-01 | 18 | \$85,500 | 16 | \$30,500 | 0 | \$6,000 | 0 | \$0 |
| 01-02 | 10 | \$38,000 | 5 | \$23,000 | 0 | \$0 | 0 | \$0 |
| 02-03 | 23 | \$47,750 | 7 | \$24,750 | 0 | \$0 | 0 | \$0 |
| 03-04 | 26 | \$129,000 | 24 | \$85,000 | 0 | \$0 | 0 | \$0 |
| 04-05 | 9 | \$478,200 | 6 | \$72,000 | 0 | \$0 | 0 | \$0 |
| Totals | 232 | \$1,810,925 | 154 | \$785,065 | 9 | \$194,750 | 2 | \$115,105 |

II. DELINQUENT PENALTIES

| Order Number | Date Issued | Violating Entity | Penalty Assessed | Violations | Status | Referred to Collections |
|---|-------------|--------------------------------|------------------|--|---|-------------------------|
| 1V-58 | 03/15/93 | Gear Drilling Company | \$2,000 | Rule 305, 319.a.(2) | Work completed per order | Yes |
| 1V-73 | 08/23/94 | Western Oil Company | \$2,300 | Rule 317.a.b. | Bond forfeited 11/01/95 | Yes |
| 1V-82 | 06/19/95 | Joseph V. Dodge | \$14,000 | Rules 210.b., 305., 307., 317.b.(3), 604.a.(4) | \$30,000 bond claimed 11/96/penalty unpaid/No assets. | Yes |
| 1V-93 | 11/21/95 | Tipps Drilling Co. | \$60,000 | Rules 604.a.4., 902.e.&f. | AOC negotiated | Yes |
| 1V-110 | 05/21/96 | Kana Resources, Inc. | \$3,500 | Rules 303.a., 306., 317.b.1. | District Court decision entered/\$10,000 bond claimed | Yes |
| 1V-114 | 09/04/96 | Mr. Jim Snyder | \$10,000 | Rules 308., 317.i., APD | | Yes |
| 1V-124 | 07/01/97 | Nerdilhc Company Inc. | \$9,000 | Rules 326.b.1., 319.b., 210.b. | | Yes |
| 1V-132 | 11/24/97 | Eros, Inc. | \$24,000 | Rules 319.b., 326.b. | \$30,000 bond claimed 5/98 | Yes |
| 1V-167 | 01/05/99 | Pacific Midland Production | \$1,000 | Rule 326.b. | Bond claimed | Yes |
| 1V-170 | 03/25/99 | Allen Oil & Gas, LLC | \$12,000 | Rules 904., 905., 603.g., 906., 909.b.(2) &(5), 91 | Work to be completed by July 1, 1999. | Yes |
| 1V-175 | 08/19/99 | McCormick Oil & Gas Co. | \$18,000 | Rules 1004., 319.b.(3), 326.b., 206., 309. | McCormick in bankruptcy-Bond claimed | Yes |
| 1V-177 | 08/19/99 | Faith Energy Exploration, Inc. | \$3,500 | Rules 308A., 308B., 326.b. | Bond Claimed | Yes |
| 1V-191 | 02/15/00 | Cascade Oil | \$1,000 | Rule 326.b.(1) | Bond claimed | Yes |
| 1V-202 | 11/30/00 | Robert Ziegler | \$2,000 | Rule 326.b. | Bond claimed | Yes |
| 1V-204 | 12/19/00 | Allen Oil & Gas, LLC | \$60,000 | Rule 326.b., 324A.a., 904., 905., 906.b.(1), 90 | Bond claimed | Yes |
| 1V-211 | 05/31/01 | Sierra Production | \$500 | Rule 302.a. | | Yes |
| 1V-212 | 05/31/01 | Caprice Oil & Gas Co. | \$500 | Rule 302.a. | | Yes |
| 1V-218 | 01/11/02 | Rocky Mtn. Operating Co. | \$2,000 | Rule 326.b.(1) | | Yes |
| 1V-219 | 01/11/02 | Rocky Mtn. Operating Co. | \$1,000 | Rule 326.b.(1) | | Yes |
| 1V-220 | 02/25/02 | Woodsley Oil Company | \$6,000 | Rule 326.b. | | Yes |
| 1V-221 | 03/25/02 | Domar Oil & Gas, Inc. | \$6,000 | Rules 302., 304., 319.b., 709. | | Yes |
| 1V-227 - 1V-236 | 09/21/02 | DJ Production Svcs, Inc. | \$14,000 | Rule 309., 310A., 319.b.(1), 319.b.(3), 326.b. | | Yes |
| 1V-237 | 09/21/02 | DJ Production Svcs, Inc. | \$1,500 | Rule 326.b. | | Yes |
| 1V-239 | 09/21/02 | DJ Production Svcs, Inc. | \$500 | Rule 309. | | Yes |
| 1V-240 | 09/21/02 | DJ Production Svcs, Inc. | \$1,500 | Rule 324A.a., 907.a., 910.a. | | Yes |
| 1V-245 | 06/02/03 | Fredrick Shaffer | \$4,000 | Rule 326.b. | | Yes |
| Total Penalties Pending Collection | | | \$255,800 | | | |

COLORADO OIL & GAS CONSERVATION COMMISSION ORGANIZATION

